



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

MEMORANDUM FOR: All Regional Directors
All Multifamily Hub Directors
All Multifamily Program Center Directors
All Supervisory Project Managers

FROM: Willie Spearmon, Director, Office of Housing Assistance and Grants
Administration, HTH

SUBJECT: Annual Base City High Cost Percentages for Section 202 and Section
811 Capital Advance Projects, Effective January 2006

In accordance with 24 CFR Part 891.140 of the Section 202 and Section 811 Regulations, we have reviewed and adjusted, as appropriate, the High Cost Percentage (HCP) for each Base City.

Each Base City HCP has been recalculated and the results are reflected in the attached list of authorized Base City HCPs, which are effective January 1, 2006. These HCPs should be applied to the applicable Section 202 and Section 811 Development Cost Limits. Multifamily Hub Offices and Program Centers affected by changes in their Section 202 and Section 811 Base City HCPs should immediately review and adjust, as necessary, the HCPs for their associated Key Localities, using the information in HUD Handbook 4425.1 REV-2 Chg 1 of Chapter 5 as a guide.

EXCEPTIONS:

SPECIAL LIMIT AREAS:

The U.S. Virgin Islands, Guam and the states of Alaska and Hawaii are Special Limit areas. Care should be taken to ensure that the appropriate limits are used for Section 202 and 811 projects in these areas as stated in the January 22, 2001, Federal Register publication.

**EXCEEDING ASSIGNED GEOGRAPHIC FIELD OFFICE HCPs ON A CASE BY CASE BASIS
FOR SECTION 202 AND 811 CAPITAL ADVANCE PROGRAMS:**

Under the Delegation of Authority, the Commissioner has delegated Hub Directors the authority to waive Handbook instructions (Chapter 5 of HUD Handbook 4425.1 REV-2 Chg 1, paragraph 1-6A.1.c. of Section 202 Handbook 4571.3 REV-1 and paragraph 1-8A.2.c. of Section 811 Handbook 4571.2), on a case-by-case basis, and exceed their assigned geographic HCP ceilings, up to the program maximums. Those Directors who choose to exercise this Handbook waiver authority must document the project file in accordance with Paragraph 5-8 of HUD Handbook 4425.1 REV-2 Chg 1.

For Section 202 and 811 Capital Advance programs, the maximum HCP permitted, on a case-by-case basis, is 260 percent. Hub Directors must ensure that all Handbook waivers are adequately documented and copies of Form HUD-2, Waiver of Housing Directive, submitted to the appropriate Offices identified on Form HUD-2. Because of increased interest in the current limits, my Office also needs a copy of each Handbook waiver record for exceeding assigned geographic HCPs. For each project where a Handbook waiver to exceed the assigned HCP was authorized, please submit a copy of the following:

- A copy of the Handbook waiver documentation, including Form HUD-2 and
- A copy of Form HUD-92264-A, showing Criterion 4 completed.

Send the copies to:

Rita Ross
U.S. Department of Housing and Urban Development
Office of Housing Assistance and Grants Administration
Room 6138
451 7th Street, S.W.
Washington, DC 20410

If there are any questions regarding the HCPs, please contact Roger Kramer at (202) 708-2866, extension 2569.

Attachment